From: Globe Business
To: Heriberto Morales
Subject: Talking Points: Profits are hefty for Boston hotel owners hit by strike
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Talking Points

Welcome to Talking Points for Thursday, Oct. 11.

It's been another bad day for investors, with the sell-off that started yesterday in the US spreading to Asia, then Europe, and then back to Wall Street. (AP)

There are several reasons behind the selling. (Boston Globe)

The downdraft is unlikely to stop the Federal Reserve from continuing to raise interest rates. (Reuters)

When markets tank, do this. (WSJ)

Chesto Means Business

Hotel windfall: The union that went on strike at seven Boston hotels faces a convenient target: Marriott International, the world's largest hotel company.

Unite Here, represented in Boston by Local 26, knows Marriott earned some $1.4 billion in net income from its global empire in 2017, its first full year with the Starwood hotel group in its fold.

But Maryland-based Marriott isn't the only company raking it in from the Boston hotels. The actual owners of these Marriott-managed properties get a big piece, too. The operating profits from four of the seven Marriott hotels are public record: They're owned by real estate investment trusts, publicly traded firms that disclose financial data about their holdings.

Host Hotels owns the city's biggest hotel, the Sheraton Boston in the Back Bay. The 1,220-room hotel generated $28.4 million in operating profit, as defined in accountant-speak as EBITDA, last year. The Westin Copley was more lucrative for LaSalle Hotel Properties ($31.5 million). The Westin Waterfront was Diamondrock's most profitable hotel in its nearly 30-property portfolio ($28.8 million), and Pebblebrook reported $9 million in profits from its smaller W Hotel here. In at least two places, profits fell from 2016, but not by much.

Representatives for the owners either didn't return calls or declined to comment. Marriott issued its standard response, saying its "economic proposal" matches the terms in the last contract, which included pay increases, and that it hasn't proposed changes to health or retirement benefits.

But the status quo isn't good enough for Local 26, whose rallying cry is "one job should be enough." Local president Brian Lang says the union seeks several contractual changes to help ensure the 1,500 workers on strike can earn enough to live here with their hotel jobs alone. That means going beyond bartering over wage hikes.

For example, Lang is concerned about Marriott's "Green Choice" program, which incentivizes visitors for skipping housecleaning. He says it enables Marriott to cut costs and shift cleaners into part-time status. (Host Hotels, in particular, has praised Green Choice for improving labor efficiencies.) Lang also wants Marriott to offer a health care program for retirees; many cleaners work into their 70s just to hold onto insurance. And he says the pay increases offered are actually lower than in the past, on a percentage basis.

The two sides met with a federal mediator on Tuesday, Lang says, but had no luck coming to terms, so hundreds of union members marched across downtown Boston on Wednesday in protest. Meetings and events are starting to be postponed and moved to strike-free hotels. Boston was the first place, but now 7,700 Unite Here members in eight US cities are on strike. Lang still hopes for an agreement that could set a new standard for other hotel workers -- despite the lack of progress.

The hotel owners' windfall isn't lost on Lang and his team. When tens of millions of dollars leave town to Wall Street investors every year, it's hard to blame him for wanting his union's members to share in that success.

Jon Chesto is a Globe reporter. Reach him at jon.chesto@globe.com and follow him on Twitter @jonchesto.

Executive Summary

Cause revealed: The Sept. 13 gas fires and explosions that rocked the Merrimack Valley occurred after a construction crew failed to remove a gas pressure sensor from an old pipeline it was replacing, causing the pressure levels to drop and outside regulators to pump more gas into the system, according to a preliminary report by the National Transportation Safety Board. The increased pressure overwhelmed the aging gas line system in Lawrence, Andover, and North Andover, setting off fires and explosions that damaged 121 structures, killed one person in a home explosion, and left two dozen injured. (Boston Globe)

British invasion: A London-based firm that builds private college dormitories is targeting Boston for its first US outpost, with plans to spend

$1 billion over the next few years. Students living in a Scape building could come from a variety of colleges and universities in the area. The company's expansion into the city could help meet the huge demand for college housing in Boston, where an estimated 36,000 undergraduate and graduate students live in off-campus apartments. (Boston Globe)

- Another higher ed story: Tufts grad students in contract deal (AP)
- (Tenuous) related link: How to deal with a difficult roommate (Boston Globe)

Mayoral scam: Investment scams are a dime a dozen, but the con artist isn't usually a mayor. But that's the case in Fall River, where Mayor Jasiel F. Correia II was arrested and charged with stealing more than $230,000 from people who invested in his Internet startup. The feds allege Correia, 26, used the money not for the business but for personal expenses including a Mercedes-Benz, designer clothes, and adult entertainment. (Boston Globe)

Memo from HR: Peter Abair will take over for Susan Houston as executive director of MassEcon, a nonprofit that helps companies relocate or expand in the state, as of Jan. 1. Abair is leaving his current job as executive director of the Massachusetts Biotechnology Education Foundation to join Houston in November for a transition. Abair is perhaps best known for his work as a top corporate recruiter for the Massachusetts Biotechnology Council, which is affiliated with the education foundation. While working directly for MassBio, he helped the likes of Baxalta, GE Healthcare Life Sciences, and Shire expand in Massachusetts.

Tomorrow at HUBweek: The focus is on mobility, energy, and cities. How do we continue to foster the wide-ranging innovation coming out of our communities? What steps can we take today to create the world we want to see? How do we stay human in the face of increasing digitization? Speakers include former UN Ambassador Samantha Power, New York Times Columnist Maureen Dowd, and three leaders and innovators from the MIT Media Lab: Neri Oxman, Pattie Maes, and Rosalind Picard. (HUBweek)

What happened elsewhere:

- Mortgage rates approach 5% (WSJ)
- California is world's 5th largest economy (NYT)
- Businesses pull out of Saudi conference (Axios)
- Frye Festival organizer sentenced to prison (WPost)
- Vast rescue operation underway in FL (NYT)

Curation by Larry Edelman

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